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FISCAL IMPACT STATEMENT

LS 6896

BILL NUMBER: SB 476

NOTE PREPARED: Jan 31, 2015

BILL AMENDED: Jan 29, 2015

SUBJECT: School capital projects fund levies.

FIRST AUTHOR: Sen. Head

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill provides that when calculating the maximum rate for a school corporation's capital projects fund (CPF) for taxes due and payable in calendar year 2016, the first step in the calculation (the previous year's maximum rate) shall be the larger of:

- (1) the actual maximum rate for the school corporation's CPF for the previous year; or
- (2) the maximum rate that would have been established for the school corporation's CPF for the previous year if the formula used in current law to determine the maximum rate had been in effect for each calendar year after 2006.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under this provision, the maximum CPF tax rate in 141 school corporations will rise. If the school corporations impose the maximum rate, the total CPF levy, statewide, will rise by about \$6.7 M per year beginning in 2016. Tax bills for all taxpayers in these school corporations will increase unless a taxpayer's bill is already at the cap. The maximum rate increase will first affect taxes payable in CY 2016 and would be the basis for maximum CPF tax rates going forward.

With the higher levy, some civil taxing units in some areas will experience larger circuit breaker losses and

the full \$6.7 M won't be collected by school corporations.

The CPF is a rate-controlled fund, meaning that the fund has a maximum tax rate rather than a maximum levy. The maximum rate is adjusted each year in an attempt to negate the effects of reassessment and annual trending adjustments. The formula compares the current year change in assessed value to the average change in the three prior years. Before 2013, if the average change in the preceding three years was negative, the formula produced unexpected results. Beginning with 2013 tax rates, the formula eliminated the negative factor going forward.

For purposes of calculating the starting point for the 2016 rate cap, this bill recalculates the rate caps for each year, 2007 - 2015, as if the current rate cap formula were in place for all years.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: School Corporations.

Information Sources: Local Government Database.

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